SERVICE DATE
Nov 21, 2014

PSC REF#:225109

Public Service Commission of Wisconsin
RECEIVED: 11/21/14, 1:18:01 PM

PUBLIC SERVICE COMMISSION OF WISCONSIN

Quadrennial Planning Process II 5-FE-100

Quadrennial Planning Process II—Renewable
Energy Program Proposal

FINAL DECISION

This is the Final Decision for the statewide energy efficiency and renewable resource program's quadrennial planning period of 2015-2018 setting the structure and budget for the Focus on Energy (Focus) renewable energy program.

Background

Focus's renewable energy program has traditionally used incentives to support the development of renewable energy. In the Commission's Final Decision in docket 5-FE-100, dated September 5, 2014 (PSC REF#: 215245), the Commission set the goals, priorities, and measurable targets for Focus. That Final Decision, together with this Final Decision, completes the Commission's Quadrennial Planning for 2015-2018. As part of the September 2014 Final Decision, the Commission considered transitioning the renewable energy program fully or partially into a loan program, but sought more information prior to making a final decision.

The Commission directed the Program Administrator to prepare renewable energy program proposals that addressed the possibility of replacing the existing renewable resource incentive programs with a loan program to support renewable energy, as well as a proposal that provides for both renewable energy loans and incentives. Chicago Bridge and Iron (CB&I), the Focus Program Administrator, analyzed renewable loan programs in other states, and on

October 15, 2014 provided the Commission with background information, analysis, and alternatives for a renewable energy program.

The Commission discussed several alternatives for renewable resource program structure and funding at its open meeting of November 6, 2014. The Commission finds it reasonable and in the public interest to create a Focus loan program to begin in 2015 as described in this Final Decision.

Findings of Fact

1. The structure and budget of the Focus renewable energy program as set forth below are reasonable and in the public interest.

Conclusions of Law

1. The Commission has jurisdiction under Wis. Stat. §§ 196.02, 196.374, and 196.395, and Wis. Code ch. PSC 137 to set and revise goals, priorities, and measurable targets for the Focus renewable energy program.

Discussion

The Commission's Final Decision in docket 5-FE-100, dated September 5, 2014 (PSC REF#: 215245), directed the Program Administrator to:

a. Consider eliminating the 75 percent Group 1, 25 percent Group 2 renewable funding split. Removing the tie between the two groups would allow the Program Administrator more flexibility to allocate funding between technologies;

b. Consider replacing the current backstops of maintaining a portfolio benefit to cost ratio of at least 2.3 and a reduction in energy savings of not more than 7.5 percent, compared to energy efficiency only with other appropriate performance and cost-benefit metrics for renewable projects;

c. Reevaluate the accounting treatment of renewable program funds for use in applying to any spending limits. Two options to be considered are: (1) applying limits to what is paid out over the quadrennium, and (2) applying the limits to funds that are obligated in a given year;

d. Have an initial budget for the loan component of approximately $10 million, and an annual budget, commencing in 2016, of approximately $5 million per year for renewable loans and incentives (applies only to the proposal that contains both a renewable loan component and an incentive component);

e. Review renewable programs in other states that have only renewable energy loans; and

f. Consider a phased approach to potential elimination of incentives in favor of a renewable loan program (applies only to the proposal that contains both a renewable loan component and an incentive component).

The Commission finds it in the public interest to add a loan program to the incentive program for 2015 and 2016. In addition to considering a stand-alone renewable loan program, the Commission considered several options that combined a loan program at various funding levels, along with incentives at various funding levels. The Commission will evaluate the effectiveness of the program in 2016 to determine whether Focus should transition entirely to loans, retain the combined loan and incentive program, or otherwise amend this program.

For 2015 and 2016, the Commission finds it reasonable to structure the renewable program as follows:

CB&I shall allocate $5,000,000 for incentives for renewable incentives and $10,000,000 for a revolving loan program. Of the $5,000,000 budget for incentives, $450,000 shall be allocated to prescriptive incentives. The budget for the revolving loan program shall be for the entire quadrennium. Monies returned to the loan program in repayment of loans shall be available for additional loans, but at no point shall the outstanding loans exceed $10,000,000. Before mid-2016, CB&I shall report back to the Commission to determine whether both the incentive and loan programs should move forward into 2017. CB&I should not obligate past 2016 until the Commission has been updated on the program's progress. Should the Commission determine at that point that the loan program should be halted, any remaining dollars that were reserved for the loan fund would go back to the undesignated fund, and the Commission would determine the future use of those dollars. The funds would not automatically roll into other Focus programs. In 2016, the budget for incentives shall be $3,500,000, with $450,000 available for prescriptive incentives.

In both years, projects may receive both incentives and loans. CB&I shall work with Commission staff to determine an appropriate cap on the incentive amount. The cap should be consistent for all projects eligible for a loan regardless of whether they utilize the loan program in order to incentivize use of the loan fund. If a project receives both an incentive and a loan, the incentive plus the loan cannot equal more than 50 percent of the project cost.

CB&I shall work with Commission staff to determine how to incorporate the loan fund with projects that have already been granted an incentive for 2015. For example, if an approved project would like to utilize the loan fund in addition to the incentive, the applicant can agree to a reduced incentive if required to be eligible for a loan. If incentives are fully subscribed, or if an applicant chooses, a project may use the loan fund without also receiving an incentive.

CB&I shall also work with Commission staff to determine specific criteria for ranking applications on a competitive basis.

For monies available for incentives, the Commission has recently required the funding of certain types of incentives to be limited to 25 percent of the total amount spent on incentives for all renewables. The Commission ordered this split in its Order of April 26, 2012, in part to ensure the cost-effectiveness of the renewable portfolio. (PSC REF#: 163778). However, the split between Group 1 and Group 2 technologies has created challenges with the administration of the program, in large part due to the different lead times required for the different types of projects. Thus, the Commission finds it reasonable to eliminate the 75 percent Group 1, 25 percent Group 2 renewable funding split, as well as the current backstops of maintaining a portfolio benefit to cost ratio of at least 2.3 and a reduction in energy savings of not more than 7.5 percent, compared to energy efficiency only. In addition, since the Group 1 and Group 2 split has been eliminated, the distinction in item c from the Commission's Final Decision in docket 5-FE-100, dated September 5, 2014 (PSC REF#: 215245), between quadrennium versus annually and obligated versus paid is no longer relevant as CB&I would no longer have to track funds by technology group. Expenditures and obligations can be addressed in the same manner as they are for energy efficiency programs, which ensures budgets are adhered to, but a pipeline of projects is maintained.

Order

1. In 2015, allocate $5,000,000 of Focus funds to renewable resource program incentives. In 2016, allocate $3,500,000 of Focus funds to renewable resource program incentives.

2. In 2015 and in 2016, allocate $450,000 of the renewable resource program incentive budget to prescriptive incentives.

3. In 2015, CB&I shall implement a $10,000,000 revolving loan fund (to be distributed over four years) with the following parameters:

   a. Renewable resource projects shall be eligible for both a Focus incentive and loan. If a project receives both an incentive and a loan from Focus, the loan will be capped at 50 percent of the project cost less the incentive.

   b. CB&I shall work with Commission staff to determine an appropriate cap on the incentive amount. The cap should be consistent for all projects regardless of whether they utilize the Focus loan program.

   c. The Focus revolving loan fund shall make loans available at a zero or low interest rate.

   d. The revolving loan fund shall be continued in 2016.

   e. CB&I shall submit a timeline regarding the development and implementation of the loan fund to Commission staff by December 31, 2014.

4. CB&I shall work with Commission staff to determine specific criteria for ranking applications on a competitive basis. These criteria are to be agreed to before release of the first renewable resource request for proposals (RECIP).

5. Before mid-2016, CB&I shall report back to the Commission on the status of the renewable resource program expenditures and obligations.

6. Should the Commission determine that the loan program should be halted, any remaining dollars that were reserved for the loan fund will be returned to Focus' undesignated fund, and the Commission would determine the future use of those dollars within the Focus program.

Dissent

Commissioner Callisto dissents and writes separately (see attached).

Dated at Madison, Wisconsin, this 21st day of November, 2014.

By the Commission:

Sandra J. Paske

Sandra J. Paske
Secretary to the Commission

SJP:JS:jlt:DL: 00948729

See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN
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NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE PARTY TO BE NAMED AS RESPONDENT

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

PETITION FOR REHEARING

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of the date of service of this decision, as provided in Wis. Stat. § 227.49. The date of service is shown on the first page. If there is no date on the first page, the date of service is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

PETITION FOR JUDICIAL REVIEW

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of the date of service of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of the date of service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission serves its original decision.[1] The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: March 27, 2013

[1] *See State v. Currier*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

PUBLIC SERVICE COMMISSION OF WISCONSIN

Quadrennial Planning Process II 5-FE-100

Quadrennial Planning Process II—Renewable Energy Program Proposal

DISSENT OF COMMISSIONER ERIC CALLISTO

I dissent from the Commission's Final Decision setting up a new revolving loan program for Focus on Energy (Focus). It is too substantial a switch, too quickly. I prefer a program design weighted more toward incentives, yet coupled with a revolving loan component. We know that based on the analysis prepared by the program administrator, the greater proportion of incentive dollars to loan dollars available, the more energy savings that will ultimately be realized. Had we ordered $6.67 million in annual renewable incentives alongside a $5 million revolving loan program, for example, we would be on track to achieve nearly double the demand and energy savings over the next quadrennium, when compared to a $10 million loan program coupled with $3.5 million in annual incentives. And we would be funding about twice as many renewable projects, yet sacrificing nothing in total renewable program cost-effectiveness.

I also note the Commission's continued willingness to store away unspent Focus funding for indefinite periods of time. The Final Decision states that should Focus dollars committed to the revolving loan fund go unspent, those dollars won't roll into other Focus programs, but instead be transferred to the "undesignated fund."[1] We have been down this road before,[2] and I continue to question both the wisdom and legality of the Commission's current practice of

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[1] *See Final Decision* in this docket at pp. 4 and 6.

[2] *See Final Decision* in docket 9501-FE-116, at pp. 5-7 of Commissioner Callisto's dissent (PSC REF#: 198182).

setting aside substantial sums of Focus funding, collected from utility customers, with no specific plans for using it on Focus program measures.[3] If the loan dollars are not used, they should be rolled into other Focus programs.

I respectfully dissent.

DL: 00949375

[3] According to recent Focus financial statements, total Focus unallocated funding sits at about $74 million ($31 million in "reserve" and $43 million as "undesignated"). Again, this is money collected from utility customers for the specific purpose of being spent on cost-effective energy efficiency and renewable energy programs.